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Producers 88 (4-89) --- Paid Up  
With 640 Acres Pooling Provision

Electronically Recorded  
Chesapeake Operating, Inc.

## PAID UP OIL AND GAS LEASE (No Surface Use)

THIS LEASE AGREEMENT is made this the 12<sup>th</sup> day of January, 2009, by and between L & S ENTERPRISES USA LLC, a Pennsylvania Limited Liability Company, 202 Plaza Drive, Manchester, Pennsylvania 17345, referred to as Lessor, and CHESAPEAKE EXPLORATION, L.L.C., an Oklahoma Limited Liability Company, P.O. Box 18496, Oklahoma City, Oklahoma 73154, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of \$10.00 and other good and valuable consideration in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

SEE ATTACHED EXHIBIT "A" FOR LEGAL DESCRIPTION AND ADDITIONAL PROVISIONS

in the county of Tarrant, State of TEXAS, containing 0.8959 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term 1 year from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be 25% of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be 25% of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.

4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit at lessor's address above or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an

existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 60 days after completion of operations on such dry hole or within 60 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or ---operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 60 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. 'Operations' mean any of the following: drilling (with a drilling rig and machinery capable of drilling to a depth sufficient to test a prospective oil or gas horizon), testing, completing, fracing, reworking, recompleting, deepening, plugging back, or repairing of a well in search of or in the endeavor to obtain, maintain, re-establish or enhance production of oil or gas.

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee shall, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 330 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the

period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

13. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a perpetual subsurface well bore easement under and through the leased premises for the placements of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface well bore easements shall run with the land and survive any termination of this lease.

14. Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other operations.

**DISCLAIMER OF REPRESENTATIONS:** Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognized that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.

IN WITNESS WHEREOF, this instrument is executed on the date first above written.

**LESSOR:**

**L & S ENTERPRISES USA LLC**

BY: MLC

ITS: CEO

[REDACTED]

**LESSEE:**

**CHESAPEAKE EXPLORATION, L.L.C.**  
an Oklahoma limited liability company

By: [Signature]  
Henry J. Hood, Senior Vice President-  
Land and Legal & General Counsel

[Handwritten initials]  
HJH  
JCH

## ACKNOWLEDGEMENTS

STATE OF Pennsylvania §COUNTY OF York §

Before me, Angela Frye-Schaidler, the undersigned notary public, on this day personally appeared Thomas J. Lucas, authorized agent of L & S Enterprises USA LLC, who is known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed that instrument for the purposes and consideration therein expressed, and in that capacity therein stated.

Given under my hand and seal of office this 9<sup>th</sup> day of October, 2009.

My Commission Expires: \_\_\_\_\_

Commission Number: \_\_\_\_\_

Notary Public, State of Pennsylvania  
**COMMONWEALTH OF PENNSYLVANIA**  
 Notarial Seal  
 Angela L. Frye-Schaidler, Notary Public  
 East Manchester Twp., York County  
 My Commission Expires June 12, 2012  
 Member, Pennsylvania Association of Notaries

STATE OF Oklahoma §COUNTY OF Oklahoma §

Before me, Lauren Elliott, the undersigned notary public, on this day personally appeared Henry J. Hood, authorized agent of Chesapeake Exploration, L.L.C. on behalf of said limited liability company, who is known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed that instrument for the purposes and consideration therein expressed, and in that capacity therein stated.

Given under my hand and seal of office this 19<sup>th</sup> day of October, 2009.

My Commission Expires: \_\_\_\_\_

Commission Number: \_\_\_\_\_



Lauren Elliott  
 Notary Public, State of Oklahoma

Record & Return to:  
 Chesapeake Operating, Inc.  
 P.O. Box 18496  
 Oklahoma City, OK 73154

**EXHIBIT "A"**

Attached hereto and made a part of that certain oil, gas and mineral lease as dated January 12, 2009, by and between **L & S ENTERPRISES USA LLC**, referred to as Lessor, and **CHESAPEAKE EXPLORATION, L.L.C.**, as Lessee.

**ADDENDUM (ADDITIONAL PROVISIONS):**

The provisions of this Addendum are in addition to the provisions contained in the lease and are intended to be covenants running with the lease and the land covered thereby, and shall be binding upon and inure to the benefit of the successors and assigns of the parties. This Addendum is incorporated into the lease to which it is attached and is a part of such lease for all purposes. In the event of conflict between the provisions of this Addendum and the provisions of the lease to which this Addendum is attached, the terms of this Addendum shall control and be controlling.

**LAND DESCRIPTION:**

Being a 0.8959 acre (39,024 Square Feet) tract of land and being a portion of Lot 7, Block 2 of RIVERBEND EAST OFFICE PARK OFFICE ADDITION, an addition to the City of Fort Worth as recorded in Cabinet "A", Slide 937 of the Deed Records of Tarrant County (D.R.T.C.), said 0.8959 acre tract being more particularly described as follows:

BEGINNING at a "T" found set in concrete at the Northeast corner of said Lot 7 in the center of Flagstone Drive, (a private street);

THENCE South 1 degree 12 minutes 18 seconds West, along the East line of said Lot 7, a distance of 223.0 feet to a "T" found set in concrete at the most Easterly Southeast corner of said Lot 7;

THENCE North 88 degrees 47 minutes 42 seconds West, along a Southerly line of said Lot 7, at a distance of 144.0 feet passing a Southeast corner of said Lot 7, continuing in all a distance of 175.0 feet to a "T" set in concrete;

THENCE North 1 degree 12 minutes 18 seconds East, a distance of 223.0 feet to a 5/8 inch brazed iron pin set in the North line of said Lot 7, in the center of Flagstone Drive;

THENCE South 88 degrees 47 minutes 42 seconds East, along the center of Flagstone Drive and along the North line of said Lot 7, a distance of 175.0 feet to the POINT OF BEGINNING and containing 0.8959 acres (39,024 Square Feet) of land, more or less.

1. ***Oil and Gas Only.*** This lease shall be limited to oil, gas and other associated hydrocarbons and sulphur produced through the well bore with oil and gas. All references in this lease to "other minerals" are hereby deleted.

2. ***Shut-in Royalties.*** Notwithstanding anything contained in the printed form of the lease, this lease cannot be continued in force solely by the shut-in royalty payments provided for in the printed form of this lease for a period longer than one (1) year or three (3) years in the aggregate. Lessee shall pay Lessor as shut-in royalty the sum of "thirty five dollars (\$35.00)" per acre covered by this lease.

3. ***No Surface Use.*** Notwithstanding anything herein to the contrary, Lessee shall have no right to enter upon, conduct any drilling or other surface operations of any nature, or place any facilities or structures of any kind on, over or across, any portion of the leased premises (including, but not limited to, exploration activities of any nature, seismic activities, surveying, the building of roads, tanks, power stations, telephone lines, flow lines, electric power lines, or tank batteries). Provided however, Lessee shall have the limited right to enter the leased premises with a subsurface horizontal or directional wellbore drilled from a pad site on other lands at a subsurface depth of greater than five hundred feet (500') from the surface of the leased premises in an effort to explore for and develop oil and gas under the leased premises.

4. **Royalty Payments.** Initial royalty payments shall be due within one hundred twenty (120) days after the end of the month in which first sales were made. All subsequent royalty payments shall be due within sixty (60) days after the end of the month in which the production occurred. Should Lessee fail to pay such royalty within such time, then Lessee shall pay to Lessor interest on said accrued royalties at the maximum rate permitted by law, from the due date until the date of payment. The rights of Lessor under this paragraph shall be in addition to, and not in lieu of, all rights Lessor may have as to payment of royalty under V.T.C.A. Natural Resources Code §§ 91.401 through 91.405.

5. **Overpayment of Royalties.** The Lessor shall have no personal liability for the repayment of any overpaid royalties. The Lessee may recoup an overpayment for the Lessor's share of the future production from the well from which the overpayment occurred if discovered and brought to the Lessor's attention within two (2) years of the overpayment.

6. **No Warranty of Title.** Lessor makes no warranty of any kind with respect to title to the leased premises. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the leased premises, and Lessee assumes all risk of title failures.

7. **Indemnity.** LESSEE, ITS SUCCESSORS AND ASSIGNS AGREE TO INDEMNIFY AND DEFEND AND HOLD HARMLESS LESSOR, AND ANY OF ITS AFFILIATED ENTITIES, AND THEIR RESPECTIVE OWNERS, OFFICERS, PARTNERS, EMPLOYEES AND AGENTS (THE "INDEMNIFIED PARTIES") FROM ANY AND ALL COSTS, LOSSES, CLAIMS, JUDGMENTS, SETTLEMENTS, AND DAMAGES OF EVERY KIND AND CHARACTER (INCLUDING VIOLATIONS OF ENVIRONMENTAL LAWS AND REGULATIONS, PERSONAL INJURY AND DEATH), LAWSUITS AND/OR CAUSES OF ACTION (INCLUDING REASONABLE ATTORNEYS' FEES AND COURT COSTS), WHICH MAY GROW OUT OF, ARISE FROM, OR IN ANY MANNER BE CONNECTED WITH THE ACTIVITIES OF LESSEE AND LESSEE'S AGENTS, INVITEES, GUESTS, CONTRACTORS, SERVANTS AND EMPLOYEES.

8. **Compliance with Laws.** Lessee covenants that it will strictly comply with all applicable laws, regulations and ordinances in conducting all operations under this lease.

9. **Force Majeure.** The events of force majeure (described in the printed lease), shall exclude any occurrence or cause reasonably within the control of Lessee. Moreover, Lessee shall take all reasonable actions to remove or end any cause of force majeure as soon as reasonably possible. The lease shall not be held in force and effect by its force majeure provision for a period of greater than two (2) consecutive years. No event of force majeure shall allow royalties to not be timely paid to Lessor.

10. **No Waiver.** No waiver of any of the provisions of this lease shall be deemed or constitute a waiver of any other provision of this lease. Likewise, the failure of Lessor to enforce any provision of this lease shall not be deemed nor shall constitute a waiver of the right of Lessor to enforce such provision.

11. **Attorneys' Fees.** If Lessor or Lessee makes a written demand to enforce any express or implied obligation of this lease and receives a final unappealable judgment from a court of competent jurisdiction, then the prevailing party shall be reimbursed for all costs of such legal proceedings, including reasonable and necessary attorneys' fees and costs.

12. **No Deductions/Affiliate Sales.** It is agreed between the Lessor and Lessee that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder; provided however, any such costs

incurred on an unaffiliated interstate or intrastate gas pipeline which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements. In no event shall Lessor receive a price that is less than, or more than, the price received by Lessee. It is the intent of the parties that the provisions of this paragraph are to be fully enforceable and effective and are not to be construed as "surplusage" under the principles set forth in *Heritage Resources v. NationsBank*, 939 S.W.2d 118 (Tex. 1997).

13. **Division Orders.** Should Lessor agree to execute a Division Order, it is agreed that no Division Order (or any Transfer Order) shall increase or diminish the agreements and provisions contained herein. In sum, if any such Division Order or Transfer Order contains wording contrary to the provisions herein and Lessor executes same without amending such language, the agreements and provisions herein shall supercede those of the Division Order or Transfer Order and Division Order or Transfer Order shall be null and void in its entirety.

14. **Pooling.** Lessee shall have the right to pool, but must pool all the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 172 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed if the Lessee is able to demonstrate that it would be necessary for prudent development. In the event a larger unit is necessary, Lessee must obtain the consent of the Lessor which such consent shall not be unreasonably withheld.

15. **Pooled Acreage.** Lessor and Lessee agree that all of Lessor's acreage covered by this lease contained in contiguous tracts of land shall be pooled within the same pooled unit. The pooled unit shall first include all open acreage which is included in the leased premises before adding acreage from adjoining property.

16. **Insurance.** At all times while this Lease is in force, Lessee shall acquire and maintain insurance covering all of its operations on the leased premises, including any work performed on its behalf by contractors, subcontractors, and others. The policies shall include coverage for comprehensive general liability for bodily injury and property damage with a limit of \$3,000,000, blowout and loss of well coverage, and coverage for any damage to the environment resulting from a blowout, including coverage for the cost of clean up and surface remediation, with a limit of \$3,000,000. In addition, Lessee shall maintain an Umbrella Liability policy in the amount of \$25,000,000. All such policies shall name the Lessor as an additional insured and will provide for a 30 day notice of cancellation. Upon written request, Lessee shall furnish a certificate from the issuing insurance company or companies evidencing the coverage. Lessee may self insure for up to \$5,000,000 with respect to the insurance coverage required of Lessee, provided that the tangible net worth of Lessee is, at all times while self-insurance is in effect, in excess of \$1,000,000,000.

17. **Environmental.** Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air, or any other environmental medium in, on, or under said lands, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on said lands any asbestos containing materials,

explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), 42 U.S.C. Sections 9601, et. seq.), or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. **LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS, AND DEFEND LESSOR, ITS AGENTS, EMPLOYEES, TENANTS, GUESTS, INVITEES, AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES AND COSTS (INCLUDING REASONABLE ATTORNEY'S FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER, OR ABOUT SAID LANDS DURING LESSEE'S OCCUPANCY OR CONTROL OF SAID LANDS. LESSEE SHALL CLEAN UP, REMOVE, REMEDY AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER, OR ABOUT SAID LANDS DURING LESSEE'S OCCUPANCY SAID LANDS IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL IMMEDIATELY GIVE LESSOR WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE FROM ANY GOVERNMENTAL AGENCY PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT SAID LANDS. THE OBLIGATIONS OF LESSEE SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION, FOR ANY REASON, OF THIS LEASE.**

18. ***Pugh Clause.*** At the expiration of the primary term of this lease or the expiration of any extension or renewal of the primary term, whichever occurs last, Lessee shall release the leased premises as to all rights lying below one hundred (100) feet below the stratigraphic equivalent of the base of the deepest formation producing or capable of producing in any well drilled on the leased premises.

19. ***Assignment.*** The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns.

20. ***Common Law Duties.*** Nothing in this Lease shall be construed to limit, impair, reduce, or otherwise negate any of the common law duties imposed upon Lessee to investigate, explore, prospect, drill, complete, and operate a well or wells on the leased premises or lands pooled therewith.

Record & Return to:  
Chesapeake Operating, Inc.  
P.O. Box 18496  
Oklahoma City, OK 73154

**SIGNED FOR IDENTIFICATION:**

L & S ENTERPRISES USA LLC

By: ML

Its: CEO